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# THE TARIFF COMMISSION AND ITS WORK

BY WILLIAM S. CULBERTSON

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HENRY GEORGE used to say that the way to solve the tariff problem was to abolish the customs houses. He thought that a tariff for revenue was only a degree less obnoxious than a tariff for protection. But the tariff problem is not—shall we say unfortunately?—so simple of solution. The abolition of the customs houses, or even the abandonment of a general tariff, is not regarded by any influential group of men as practicable or desirable for this country. It is now generally agreed that the tariff in some form has become a permanent part of the fiscal and industrial policy of the United States.

Just what form the tariff shall take, and upon what principles it shall be formulated, will continue in this country to be matters of political controversy. That group of public men which regards revenue as the primary purpose of the tariff will be set against that which regards its primary purpose to be the protection of American industries, and the final arbiter between them will always be the American people.

The growing desire in this country, however, that tariff making should be more scientific, and that Congress should have a permanent and reliable source of tariff information at its disposal, has led to the advocacy of a tariff commission. All the political parties have urged the creation of such a commission, and from time to time many bills have been introduced into Congress providing for its establishment. Even before any of them became law the country received the services of a tariff board, through the action of President Taft. President Taft was authorized by the Tariff Act of 1909 "to employ such persons as may be required" to assist him in carrying into effect certain pro-

visions of that Act. He appointed three Republicans, and this board became the nucleus about which grew up the first genuine, although temporary, tariff commission this country ever had. Their first work was the administration of the maximum and minimum clause of the Payne-Aldrich Act. They then began the preparation of what Mr. Taft called the "glossary or encyclopedia of the existing tariff so as to render its terms intelligible to the ordinary reader." It also undertook the study of industrial conditions and the costs of production at home and abroad. In March, 1911, the board was increased by the addition of two Democratic members. Congress appropriated substantial sums for its work, and in a comparatively short time it published reports on chemicals, news-print paper, Canadian reciprocity, raw wool, manufactures of wool, and manufactures of cotton. In many ways the work of this board revealed the value and the need for a permanent tariff commission. Its investigations were conducted scientifically, and its experiences furnish many valuable suggestions for the new tariff commission in its work of organization and investigation.

The present Tariff Commission, established by an Act of Congress approved September 8, 1916, is the first permanent government body in this country whose sole purpose is the scientific examination of the tariff question. Its six members were appointed by the President in March, 1917, and it was organized for business on April 1, 1917.<sup>1</sup>

It is not the policy of the Tariff Commission to bolster up any particular tariff theory. It is strictly non-partisan. Its aim is to secure data which may be utilized both by the advocates of tariff for revenue and by the protectionists, but as a commission it advocates the policy of neither. It proposes to examine the effects of tariff rates from every angle. Its duties include the study of the fiscal effect of the customs laws and their relation to the Federal revenue. Customs duties have always been an important source of Federal revenue and, for this reason, the Commission may be expected not only to assist Congress in studying the revenue producing power of the tariff but also in suggesting how the income and expenditures of the Government may be properly correlated.

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<sup>1</sup> The members of the United States Tariff Commission on the date of its organization were: F. W. Taussig, Chairman; Daniel C. Roper, Vice Chairman; David J. Lewis; William Kent; William S. Culbertson; and Edward P. Costigan.

No phase of the tariff is more a subject of controversy than its effect on prices. Since very little concrete information exists on the subject the discussion has been largely confined to theoretical deductions either to prove or to disprove that a tariff on imports increases prices. As a help to our theorizing we need a full examination of the facts. Only a governmental body with power to demand information and facilities to cover a wide field can make an investigation that will be of value. There is every reason to think that the Tariff Commission can throw real light on this dark corner of the tariff controversy.

Another phase of the tariff which the Commission is to investigate is its industrial effect both on the manufacturer and the laborer. The relation of tariff duties to competitive conditions has been of supreme importance in American tariff controversies. In their platform of 1908 the Republicans declared that "In all protective legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries." "We believe," the Progressive platform of 1912 says, "in a protective tariff which shall equalize conditions of competition between the United States and foreign countries." The Democrats, in framing the Tariff Act of 1913, claimed to have been guided by the principle of a "competitive tariff." These three declarations are merely different ways of stating the same principle. They show how very important competitive conditions are in the enactment of tariff legislation. In addition to its plenary power to get information in this country the Tariff Commission has power to investigate conditions, causes, and effects relating to competition of foreign industries with those of the United States, including dumping and cost of production.

Still another phase of the Tariff Commission's work, to which the war has given far-reaching importance, is its power to investigate the tariff relations between the United States and foreign countries, commercial treaties, preferential provisions, such as bargaining tariffs, bounties, and economic alliances. In the past the tariff laws of the United States have been framed chiefly with domestic conditions in mind, and reciprocity and bargaining features have been tacked on as afterthoughts. Commercial treaties and the bargaining

aspect of the tariff will be of supreme importance after the war. This country has taken a leading and permanent place in international affairs. By giving the Commission comprehensive powers to investigate treaty and foreign tariff problems, Congress recognized the necessity of information which will enable this country to meet the new international problems which will confront it.

The Tariff Commission has an important part in the current work of government. Less than three weeks after its organization it submitted to Congress its first report, which recommended the enactment of a so-called "padlock law" for the purpose of conserving revenue from customs duties and internal taxation during the time a revenue bill is being debated in Congress.

In order to simplify the administration of the customs it has drafted a revision and codification of our customs administrative laws. Existing statutes—many of them antiquated and confusing—and the new code will be submitted to Congress in parallel columns for consideration. If enacted into law, this revision will make customs administration fairer and add to the revenues of the Government.

The Commission and its members have also been called upon by Congress for assistance and advice in framing war revenue legislation.

Business men have brought to the Commission their war time problems. An interesting case was that of the producers of ocean pearl and fresh water pearl buttons, who claimed that their industries are being seriously affected by the rapidly increasing imports of pearl buttons from Japan. The sugar interests of the country are furnishing the Commission with data which bring up to date existing reports. The producers of glass, pottery, textiles, and, above all, chemicals, have been in touch with the Commission.

The chemical industries are of the greatest importance in modern warfare. Remarkable advances have been made in this country in the production of explosives and of such related products as nitric, picric, and sulphuric acids, benzol, toluol, and acetone. The most striking progress has been in the production of intermediates and dyes. While the investigation of the Tariff Commission on chemicals is general, it is placing particular emphasis upon coal tar products. The intermediates, from which dyes are made, are also the raw materials for explosives. Factories which produce dyes,

can with comparative ease turn a part of their plant to the production of explosives.

War disturbances in industry and trade are being considered by the Commission in order to assist both in mobilizing our economic forces against our common enemy and in enabling the country to meet more intelligently the problems which will arise after the war. By means of hearings and field work information is being obtained from representatives of industry, foreign trade and labor. Among the questions considered are the interruption of supplies of raw materials, substitutes adopted, present conditions and tendencies in industries, expansion of industrial plants due to war conditions and their plans for readjustment to normal times again, the effect of the war on labor conditions, and the development of our foreign trade during the war.

This brings us to the most important aspect of the work of the Tariff Commission. The Commission was created as a part of a program of preparedness for peace. The European War had been in progress more than two years when Congress, in September, 1916, passed the Act creating the Commission. World conditions were not changed essentially between that time and April 6, 1917, when Congress declared a state of war to exist between this country and Germany. The effect of the war on the economic life of our nation was evident to Congressmen. It must be so to every other thoughtful student of our times. Now is the time for observation. War is modifying our views of labor, of distribution, of public finance and production. In fact, it is shaking the whole traditional structure of our economic life.

The Tariff Commission is fully aware of this situation. It is now directing a large part of its energies to the consideration of after-the-war problems. No industries have been more profoundly revolutionized by the war than those relating to chemistry. Peace will bring with it for them serious problems of readjustment. Under war demands such stable industries as those which produce caustic soda and bleaching powder have increased their production. So with the electro-chemical industries. New supplies of potash have been developed. Congress, in the same Act by which it created the Tariff Commission, enacted increased protective duties on coal tar products. Our supply of coal tar dyes, which before the war came almost wholly from Germany, is now largely produced in this country and we are

receiving from abroad today more money for dyes exported than we sent abroad to pay for dyes before the war. Such almost magical changes in our industrial life require careful consideration, both by manufacturers and the Government. By field and research work the Tariff Commission is bringing together the information upon which Congress may base a sound policy toward our chemical industries.

Dumping is a form of unfair competition. In the law of September 8, 1916, it was defined to be the systematic importation of an article into the United States at a price substantially less than the actual market value in the foreign market plus certain charges, with the intent of destroying, injuring or preventing the establishment of an industry in the United States, or of restraining the trade in this country in such an article. Before the war the German dye industry used dumping, as here defined, and other forms of unfair competition to maintain its international monopoly. In England, Japan, and France, as well as in the United States, competing industries have been established during the war. The German industry with its great financial and technical strength may be expected to go to any lengths to regain its lost markets. In anticipation of difficulties in this and other lines, the Tariff Commission is investigating the operation of the dumping laws of other countries, particularly Canada, and taking other steps to bring together all pertinent information which will assist in the formulation of an effective method for handling dumping cases.

The Tariff Commission is not a report manufactory. It does from time to time give out the results of its work in printed form, but its files and technical staff are to be organized to give assistance immediately, both to the committees and members of Congress and the President upon any subject touching its jurisdiction. The most conspicuous example of this part of its activity is its tariff information catalog. A mere glance through any tariff act impresses the observer with the multitude and diversity of articles affected, and this complexity is only emphasized by a more detailed examination. The tariff information catalog is in the nature of an unpublished, up-to-date encyclopedia, intended to cover every important article affected by the tariff law. Here may be found information, not only on well-known articles of commerce, but on such articles as agates, acetic acid, zaffer, argol, beauxite, decalcomanias and degreas. The information

collected will be confined to facts that are significant for tariff purposes. It will include statistics of imports, exports, and foreign and domestic production, rates of duty and the amount of revenue they produce, prices, a description of processes of manufacture, raw materials used, and general data on competitive conditions, markets, and trade.

The preparation of such an all-inclusive catalog requires time. As it develops it will be of real value to Congress in framing scientific legislation. Its establishment is a definite step away from the traditional practice in this country of conducting a tariff investigation only under the excitement of a tariff revision.

The work of the Tariff Commission extends not only to the domestic but to the foreign aspect of the tariff and its administration. In recognition of the growing importance to this country of foreign trade, it is making an inquiry into the experiences of other countries with free zones or ports and the desirability of them on our Atlantic, Gulf, and Pacific coasts.

In addition to its general power to investigate commercial treaties, preferential provisions, and alliances, the Tariff Commission was specifically empowered to investigate "the Paris Economy Pact and similar organizations and arrangements in Europe." Into the subject of treaties, international tariffs, and economic alliances, the Commission is going in the greatest detail. The varying interpretations of the most-favored-nation clause in commercial treaties; the commercial treaties of the United States, many of which will need revision in the light of modern conditions; the reciprocity experiences of the United States under the Tariff Acts of 1890 and 1897, and with Cuba, Canada, and Brazil; the bargaining tariffs and commercial treaty systems of European countries, including the general and conventional tariff of Germany and the maximum and minimum tariff of France; existing and proposed preferential arrangements within the British Empire; the commercial treaties of Latin America; the tariff and treaty problems of the Far East—these are the main topics to be covered in the Commission's forthcoming report on treaties, bargaining tariffs and commercial policy.

As soon as conditions abroad warrant it, some members of the Commission will make a trip to foreign countries for the purpose of obtaining information on developments



during the war which will supplement and complete the investigation now being made in this country.

The years following the war will see more treaty making and tariff adjustments than any other period in the world's history. Congress has empowered the Tariff Commission to assist in preparing this country for the part it must inevitably play in the work of international reconstruction. If the world is to have permanent peace, if our commercial policies are to be reared on lasting foundations, if trade wars and commercial antagonisms are to be avoided, we must understand every phase of the commercial policies of the nations of the world; we must be prepared to enter the Peace Conference with facts and principles upon which may be founded an economic as well as a political peace.

Other nations are preparing for peace in time of war. In October, 1916, Germany created a new division in the Imperial Ministry to look after so-called "transition economics" or to prepare for trade immediately after the war. Austrian and German chambers of commerce have held at least three conferences for the purpose of bringing about a closer economic union of the two empires. At the one in Vienna, in November, 1915, it was agreed that in negotiating commercial treaties, the Allied Central Powers should act together, and that they should reciprocally grant preferential treatment to each other's products, and that other states should be added only by mutual consent. Great Britain has created a Minister of Reconstruction, who is responsible to the House of Commons. His work is "to consider and advise upon the problems which may arise after the termination of the present war." A Commercial Intelligence Department has also been created, under the control of a new parliamentary secretary. Its work will be the unifying of the work of the Commercial Attachés and Consuls. The Dominions Royal Commission submitted its final report in February, 1917, on natural resources, trade and legislation of the Dominions. Great Britain, Canada, New Zealand, South Africa, Newfoundland and India were represented at an Imperial Conference in March and April, 1917. One of the resolutions adopted declared in favor of imperial preference. The Committee of the House of Commons on commercial and industrial policy announced on February 2, 1917: "We, therefore, recommend that H. M. Government should now declare their adherence to the principle that pref-

erence should be accorded to the products and manufactures of the British Overseas Dominions in respect to any customs duties now or hereafter to be imposed on imports into the United Kingdom."

In March and September, 1916, the Scandinavian countries held economic conferences for the purpose of considering measures to conserve the rights of neutrals and to safeguard the independence of the Scandinavian countries in the economic struggle which may follow the war. The best known of these activities in foreign countries, of which those already mentioned are merely conspicuous examples, is the Paris Economic Conference, which met in June, 1916. The recommendations of this Conference included measures for the war period, transitory measures for the period of commercial and industrial reconstruction of the Allied countries, and permanent measures of mutual assistance among the Allies.

Apart from the particular measures considered abroad, with which we are not directly concerned here, the activity of foreign countries in the study of the problems of reconstruction is alone a sufficient justification for similar work in this country. It is proper that we should regard the winning of the war as the supreme duty of the moment. But we can not wait until the end of the war to consider the complex problems which will then confront us. The imperative need of economic preparedness now will be as evident when hostilities cease and trade and industry attempt to return to the normal conditions of peace as military preparedness is today.

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